



Chippewa Local Schools 5-Year Forecast Notes and Assumptions November, 2022

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Revenues FY-2023

Real Estate Tax

Real Estate & Public Utility Personal Property (PUPP) tax revenues account for approximately 41% of the total revenue for the school district. The collections for FY-2022 were up \$407,000 over the same period a year ago (7.33%). The reappraisal in 2020 led to Res/Ag real estate value coming in at 13.36% and Comm/Ind values increasing by 7.62% in FY 21 and will carry over to FY-2022. A smaller 1.5% to 1.75% growth is forecasted beyond FY-2023. The county will do an update of property values in 2023 followed with a reappraisal in 2026.

The district has realized an increase in PUPP values due to the Nexus Pipeline which runs through the district. Original property values were estimated at almost \$66 million. Nexus filed a complaint first in December of 2019 to reduce values by 38.5% and subsequently filed a second complaint in January of 2020 to reduce the values by 52%. Currently, Nexus is paying on approximately \$33 million of valuation. Forecasted revenues from Nexus are based on the reduced value along with a modest 1% annual increase. Once the complaint is settled the value could be increased thus causing Nexus to owe the district additional tax dollars. Conversely, the value could be further reduced creating a District obligation to refund a portion of taxes already paid by Nexus. This revenue source will be updated once final value determination is completed.

Income Tax

The district has a 1% SDIT that was last renewed in 2017 for five years and expires December 31, 2022. In the November 2022 general election, this levy was renewed for another 5 years by a 55:45 margin. Currently, the District is experiencing strong growth after the first two collections for FY-2023.

State Basic Aide

Beginning in FY-2022, Ohio adopted the Fair School Funding Plan (FSFP). Funding is driven by a base cost methodology that incorporates the four components identified as necessary to the education process. The Base Cost is currently calculated for two years using a statewide average from historical data.

Before this new model, several items were listed as “expenses” on the forecast including open enrollment – out, community school and scholarship deductions. These deductions will now be added as a net to the overall state aid revenue line. Therefore, expenses under purchased services will be lower by these amounts in the current forecast. This will also lead to a lower net revenue in state aid, while the combination (net revenue – net expenses) will lead to an overall net increase in state aid. The increase was \$270,213 for FY-2022. There is a very slight increase built into the forecast for FY23 based on the October 2022 foundation payment. After FY-2023, the forecast was based on the FY-2022 actual with no growth projection for growth.. This is due to the fact the new formula shows if completely implemented, we would be on a guarantee. In other words, we could go backwards in state funding. These amounts come from projections from the Ohio Department of Education.

Student Wellness & Success monies were formerly received to Fund #467. This amount is now included in the state basic aide formula and shows up as part of the General Fund..

State of Ohio – Rollback and Homestead (Property Tax Allocation)

This was tax reform from the 1970’s as property taxes were rising significantly. The State passed two pieces of legislation. First the Rollback in effect rolled back 10% of taxes for all property tax payers. The second piece provided additional relief for seniors who fall in certain income levels. The State reimburses us for these reductions.

State of Ohio – Other Receipts

Casino revenue is included in this line which began in FY-2013.

Tuition & Open Enrollment

The District offers open enrollment for those families not living in the Chippewa district but wanting to enroll their students at one of our schools. Both open enrollment in and out will be “netted” and included with state unrestricted aid. The District continues to receive preschool tuition and special education tuition for any court placed students in our district.

Interest on Investments

Cash not needed for immediate operations is invested during the year. Interest rates for our investments remain very low but the rates have now started to increase from a low of approximately .008 in November 2021 to a current 30 day yield of 3.02 at October 31, 2022.

Federal Revenue

The Medicaid Schools Program (MSP) has been developed to include federal Medicaid matching funding for specific direct services (including targeted case management), certain administrative activities, and specialized transportation.

Advances - In & Refund of Prior Years

This line represents monies advanced to various funds, mainly federal grant programs at the fiscal year end and is paid back during the next fiscal year. There should not be a need for this in the future.

Expenses:

Salaries & Wages

For FY-2022 and 2023 a 1.25% increase is included for base wage increases per the negotiated agreements. The district has included 1% base wage increases for FY-2024-FY-2026. This number could change due to current union contracts for both classified and certified staff are set to expire June 30, 2023. The district is using Fund 467 (Student Wellness and Success Fund) in FY-2022 to cover the cost of the school nurse and expects those costs to return to the general fund in FY-2024.

Fringe Benefits

STRS/SERS

The district pays 14% of each dollar paid in wages to either the State Teachers Retirement System or the School Employees Retirement System as required by Ohio law. Bonus payments are not included for retirement purposes.

Health Insurance

FY-2022 included a 0% premium increase but with no planned premium moratorium. FY-2023 includes a 6% premium increase. FY-2024 through FY-2027 includes a 3% premium increase with an additional amount of 24,000 that had previously been charged off to ESSER Funds.

Workers Compensation & Unemployment Compensation

Workers Compensation is expected to remain at about 0.6% of wages FY-2022-FY-2026 which is in line with historic growth recently. Unemployment Compensation (UC) has been negligible.

Medicare

Medicare costs will continue to increase due to the projected increase in wages. Contributions are 1.45% for all new employees to the district on or after April 1, 1986. These amounts are growing at the general growth rate of wages.

Purchased Services

Expenses in this category include: professional & legal services, utilities and formerly tuition costs and open enrollment out. Scholarships, open enrollment out and community school deductions will no longer be a purchased service deduction because of the new school funding formula. These expenses will now be “netted” in the state revenue line hence the large decrease in this expense line from FY-2021.

Supplies, Materials, Textbooks

New textbook adoptions can vary greatly between the years. These can be the largest expense in this category. Due to the economy, a 10% increase is forecasted to plan for inflationary growth.

Capital Expenditures & New Equipment

The expenditures represent administrative and instructional equipment, building and site improvements. School bus purchases are included in this category and are budgeted for all five years of the forecast.

Other Objects

These expenditures include insurance, audit expenses and fees charged by the state and county for the collection of tax revenue.

Transfers, Advances, Refunds Out

This account group covers fund to fund transfers and end of year short term advances (loans) from the General Fund to other Funds. Amounts advanced are limited in impact to the General Fund as the amounts are repaid as soon as dollars are received in the debtor fund. In the past, the District has transferred funds to cover the cost of the athletic director and supplements. Beginning in FY-2022 those expenses are charged directly to the General Fund and will reduce the amount needed to cover the athletic fund's year-end balance.

Final Comments

Though not a part of the Five Year Forecast, the reader of these notes may be curious as to what the District has done with the federal funds received due to the Covid Pandemic. Please see below for a summary of those funds made available to the District.

	Initial Funding	<-----Spent-----> FY-2021 FY-2022		Remaining at 6/30/3022
ESSER I				
Salaries & Benefits		23,216	0	
Purchased Svcs		13,715	0	
Supplies		<u>97,555</u>	<u>0</u>	
Total at Jun 30, 2022	135,890	134,486	0	1,404
ESSER II				
Salaries & Benefits		0	147,297	
Supplies		<u>22,636</u>	<u>164,639</u>	
Total at Jun 30, 2022	511,843	22,636	311,936	177,271
ARP ESSER				
Purchased Svcs		0	35,026	
Total at Jun 30, 2022	1,141,057	0	35,026	1,106,031
Coronavirus - Rural & Small Town				
Salaries & Benefits		7,359	0	
Supplies		<u>54,048</u>	<u>0</u>	
Total at Jun 30, 2022	61,407	61,407	0	0
Coronavirus - Broadband				
Purchased Svcs		0	2,329	
Supplies		<u>0</u>	<u>50,960</u>	
Total at Jun 30, 2022	53,289	0	53,289	0
ARP IDEA - Part B Special Ed				
Supplies		<u>0</u>	<u>6,053</u>	
Total at Jun 30, 2022	63,336	0	6,053	57,283
ARP IDEA - Early Childhood Spec Ed				
Total at Jun 30, 2022	4,689	0	0	4,689

Thank you.